
OLR Bill Analysis

sHB 6357

AN ACT IMPLEMENTING THE BUDGET RECOMMENDATIONS OF THE GOVERNOR CONCERNING EDUCATION.

SUMMARY:

This bill makes numerous changes to education law, including revising the education cost sharing (ECS) formula, setting the minimum budget requirement for school districts for the next two fiscal years, capping a number of education grants, repealing transportation grants and replacing them with a single regional competitive grant, and reducing charter school grants.

It also deletes obsolete language and makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2013

§§ 1 & 2 — ECS FORMULA

The bill revises the ECS formula, which is the largest form of state education aid to towns. (The state budget bill, sHB 6350, appropriates the money to be distributed through the formula.)

Fundamentally, the formula is comprised of three factors: (1) foundation aid, (2) the town's base aid ratio, and (3) the town's number of total need students. A "fully funded" ECS grant is the product of the three factors plus, for qualified districts, a relatively small regional bonus.

The bill uses the fully funded amount for each town as the basis for determining ECS grants for the next two fiscal years. Under the bill, the FY 14 and 15 grants are a portion of the fully funded amount. By law and under the bill, the formula awards aid more generously to poorer towns. It provides minimum aid to the state's wealthiest towns.

Foundation

For FY 14 and each year thereafter, the bill raises the per-student foundation amount from \$9,687 to \$11,525. The foundation is the level of weighted per-student spending that ECS grants help towns achieve. All towns receive less than the foundation amount per student with the town's tax revenue accounting for most of the remainder of the per-student cost. A higher foundation increases grants to all towns.

Base Aid Ratio

The base aid ratio is a numerical representation of a town's property wealth in relation to a median town wealth level set in the formula. Poorer towns have higher ratios than wealthier towns. The larger a town's ratio, the closer the town comes to receiving the maximum aid.

State Guaranteed Wealth Level (GWL) and Wealth Adjustment Factor (WAF). The GWL and the WAF are measures of town wealth, which is a major component of the base aid ratio. The bill replaces the GWL with the WAF for FY 14 and each year thereafter.

Under current law, the GWL is 1.75 times the state's median town wealth. Under the bill, the WAF instead uses ratios that measure town property wealth and income wealth added together.

The property wealth measure is the ratio of (1) a town's equalized net grand list (ENGL) per capita to (2) the ENGL per capita of the town with the state's median ENGL, multiplied by 1.5. The income wealth measure is the ratio of (1) a town's median household income to (2) the state's median town household income, multiplied by 1.5.

WAF weighs the property wealth of a town at 90% and income wealth at 10% for the final step in determining wealth adjustment. By lowering the multiplier (from 1.75 to 1.5), this part of the formula decreases the state's share of total education funding.

Minimum Aid Ratio. Under the bill, the minimum aid ratio is 10% for alliance districts and 2% for all other districts. Under current law, the minimum aid ratio is 9%, except it is 13% for the 20 districts with the highest concentrations of low-income students, measured by the

proportion of school-aged youth below poverty (currently this applies to only one town).

Student Need

By law, the ECS formula weighs student counts for educational and economic need by increasing a town's student count for certain types of students. This creates a "need student" count for each town.

Current law gives students in poverty, as measured by the number of students eligible for federal Title I funds, a weighting of 1.33 and limited English proficient students a weighting of 1.15 (it is possible for students to count in both). The bill replaces both of these with the single weighting of 1.30 for every student eligible for free and reduced price lunch (FRPL) or free milk under the federal Department of Agriculture's National School Lunch Program. This means that under the bill, 100 students that qualify for FRPL would count as 130 need students in the formula.

Base Aid

The bill makes each town's FY 13 ECS grant its base aid. Under current law, a town's FY 07 ECS grant is its base aid.

FYs 14 and 15 Funding

The bill establishes the ECS grant levels for the next two fiscal years, with lower performing districts receiving a larger percentage of their fully funded grant. The bill includes different funding percentages for three types of towns: (1) non-alliance districts, (2) alliance districts, and (3) educational reform districts. Alliance districts are the 30 districts with the lowest district performance indexes (DPIs) in the state and reform districts are the 10 lowest performing alliance districts (see BACKGROUND). The funding percentages are shown in Table 1.

Table 1: ECS Funding Percentage Increase by Town Type and Fiscal Year

| <i>Type of Town</i> | <i>FY 14 %</i> | <i>FY 15 %</i> |
|----------------------------|-----------------------|-----------------------|
| Non-alliance | 1% | 2% |
| Alliance District | 8% | 16% |
| Reform District | 12% | 24% |

For FYs 14 and 15 each town's grant is the greater of:

1. the amount received in FY 13 (its base aid) or
2. the sum of the town's (a) base aid plus (b) the difference between the town's fully funded grant and the town's base aid, multiplied by the funding percentage.

For example, for a non-alliance town, the FY 14 funding percentage is 1%, so the grant amount would be 1% of the difference between the fully funded grant and the town's base aid.

§ 3 — MINIMUM BUDGET REQUIREMENT

MBR for FYs 14 & 15

By law, towns receiving ECS grants must budget minimum annual amounts for education. This is known as the minimum budget requirement (MBR). Under the bill, each town's base MBR for FY 14 is the amount it budgeted for education in FY 13 plus any ECS aid increase received for FY 14, with certain reductions permitted. Similarly, the MBR for FY 15 is the amount the town budgeted for education in FY 14 plus any ECS aid increase received for FY 15, again with reductions permitted.

Allowable MBR Reductions

The bill maintains permitted MBR reductions through FYs 14 and 15. If eligible, towns may choose one from among the following possible ways to reduce their MBR. The reductions are for towns:

1. without high schools that pay tuition to other towns to send high school age students to those schools,
2. with decreasing student enrollment, or
3. that realize savings through collaboration or increased efficiencies (see BACKGROUND).

The bill specifies that the decreasing student enrollment reduction for FY 14 must use the data of record as of January 31, 2013 and consider the difference in the student count from October 1, 2011 to

October 1, 2012. The student count reduction for FY 15 must use the data of record as of January 31, 2014 and consider the difference in the student count from October 1, 2012 to October 1, 2013.

The bill maintains a fourth type of the MBR reduction, for permanent school closings, through FYs 14 and 15. This is available regardless of whether a town uses one of the three reductions mentioned above (see BACKGROUND).

Alliance District MBR

Current law creates a separate MBR for alliance districts. The bill maintains it for FYs 14 and 15. It keeps the same mechanism for determining the MBR with each new fiscal year and requires an increased level of local funding.

An alliance district's MBR is the previous year's MBR plus the amount needed to bring the district up to its minimum local funding percentage (21% for FY 14 and 22% for FY 15). By law, minimum local funding percentages increase by one percentage point each year until reaching 24% for FY 17.

The education commissioner may let an alliance district town reduce its MBR if it can demonstrate that its local contribution for education for that fiscal year increased compared to the local contribution used to determine its local funding percentage as defined in law (see BACKGROUND).

§ 4 — ALLIANCE DISTRICTS

The bill continues the alliance district program with some changes. Current law requires the state comptroller to hold back any ECS grant increase over the prior year's amount that is payable to an alliance district in FY 13 or any following fiscal year. The comptroller must transfer the money to the education commissioner. The commissioner can withhold increases in ECS funding designated for an alliance district until the district supplies the commissioner with an application and a plan that addresses objectives and targets to improve student achievement.

The bill applies the holdback requirement to FYs 14 and 15, but makes FY 12 the baseline ECS funding for this determination. This means any amount that represents an increase over FY 12 must be transferred to the education commissioner. By law, any other ECS funding is sent directly to the towns.

Under current law, the alliance district application and plan may contain a number of items, including a system of interventions in low-performing schools and ways to strengthen early reading programs. The bill specifies that the plan may include provisions for implementing state-wide education standards that the State Board of Education (SBE) adopts and activities related to these standards.

§§ 5-12 — CAPS ON EDUCATION GRANTS

The act maintains existing caps on certain state education formula grants to school districts and regional education service centers (RESCs) for two more fiscal years, through June 30, 2015. The caps require grants to be proportionately reduced if the state budget appropriations do not cover the full amounts required by the statutory formulas. The caps apply to state reimbursements for:

1. health services for private school students (CGS § 10-217a);
2. transportation for private school students (CGS § 10-281);
3. adult education programs (CGS § 10-71);
4. bilingual education programs (CGS § 10-17g);
5. RESC operations (CGS § 10-66j);
6. special education costs and excess costs, other than those for state-placed students for whom no financially responsible district can be identified (“no-nexus students”) (CGS § 10-76d & 10-76g); and
7. excess regular education costs for state-placed children educated by local and regional boards of education (CGS § 10-253).

§ 13 — CHARTER SCHOOL GRANTS

The bill reduces the scheduled increases in per-student grants to state charter schools. Under current law, the grant is \$10,200 per student. Under the bill:

1. for FY 14, the grant is reduced from \$11,000 to \$10,500 per student, and
2. for FY 15 and each following year, the grant is reduced from \$11,500 to \$11,000.

The bill eliminates the requirement that state grant aid for a state or local charter school must first go to the town where the school is located and then to the charter school. It instead requires that the money go to the charter school's fiscal authority.

It also eliminates a transportation reimbursement for a local or regional board of education that chooses to provide transportation for a student to attend a charter school outside the board's district.

§14 — NEW REGIONAL TRANSPORTATION GRANT

The bill requires the education commissioner to establish, within available appropriations, a regional transportation grant program that awards grants to local and regional boards of education that coordinate and share public school transportation services. It allows boards to apply to the commissioner at a time and in a manner he determines.

§§ 15-22 — ELIMINATION OF EXISTING TRANSPORTATION GRANTS

The bill eliminates all the existing provisions that provide state reimbursement for local and regional school board transportation costs under an array of transportation programs.

Specifically, it eliminates the following transportation reimbursement grants, but leaves intact the requirement to provide the transportation:

1. transportation to a regional technical high school or a agricultural science and technology center (CGS § 10-97),
2. transportation for high school students who live in a district without a high school to be transported to an out-of-district high school (CGS § 10-277),
3. transportation to a charter school outside the student's district, which is not a mandate on the local district (CGS § 10-66ee(f)),
4. transportation to a school operating under a cooperative arrangement between two or more boards of education (CGS § 10-158a),
5. regional school district transportation (CGS § 10-53), and
6. regional agricultural science and technology center transportation (CGS § 10-64(d)).

The bill repeals the following sections under which state reimbursement for transportation costs is mandatory:

1. transportation to regional schools (CGS § 10-54),
2. transportation to school districts on a sliding scale depending upon town wealth for several transportation programs (CGS §10-266m), and
3. transportation to and from elementary and secondary schools (CGS §10-273a).

§ 22 — SCIENCE GRANT REPEALED

The bill also repeals the science grant program for the educational reform districts (the 10 districts in the state with the lowest DPI scores). The competitive grant program is intended to improve student academic performance in science through after-school elementary science programs.

BACKGROUND

District Performance Index (DPI)

A town's DPI is its students' weighted performance on the statewide mastery tests in reading, writing, and mathematics given in grades three through eight and 10, and science in grades five, eight, and 10. The index is calculated by weighting student scores in each of these subjects as follows: zero for below basic (the lowest score), 25% for basic, 50% for proficient, 75% for goal, and 100% for advanced.

The weightings mean the districts with the lowest test scores receive the lowest DPI. A zero score means all students scored below basic and 100% means all students scored at the advanced level.

Allowable MBR Reductions

There are four MBR reductions allowed by law.

First, towns without high schools pay tuition to other towns so their resident students can attend school there. A town with no high school that is paying for fewer students to attend high school outside the district than it paid for in the previous year can reduce its budgeted education appropriation by the full amount of its lowered tuition payments.

Second, a district may reduce its MBR when its student population has decreased. The reduction equals the difference in the number of students multiplied by \$3,000, up to a limit of 0.5% of the budgeted education appropriation for the previous fiscal year.

Third, a town can reduce its MBR to reflect half of any new and documented savings from (1) a regional collaboration or cooperative arrangement with one or more other districts or (2) increased efficiencies within its school district, as long as the education commissioner approves the savings. The overall reduction for this savings is limited to a maximum of 0.5% of the previous year's budgeted appropriation for education.

Lastly, if a school district permanently closes one or more schools because of falling enrollment, the education commissioner may permit the town to reduce its MBR. The commissioner determines the

permissible reduction in these cases.

Local Funding Percentage

The local funding percentage is determined by dividing, for the fiscal year two years prior to the ECS grant year, a school district's:

1. total current education spending excluding (a) capital construction and debt service, private school health services, and adult education, (b) other state education grants, federal grants other than those for adult education and impact aid, and income from school meals and student activities, (c) income from private and other sources, and (d) tuition by
2. its total current education spending excluding only capital construction and debt service, private school health services, and adult education (CGS §10-262f (38)).

COMMITTEE ACTION

Education Committee

Joint Favorable Substitute Change of Reference
Yea 26 Nay 0 (03/28/2013)

Appropriations Committee

Joint Favorable Substitute
Yea 52 Nay 0 (04/22/2013)